

CLASSIFICATION  
PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-447

1. PROJECT TITLE  Small Farmer Credit: Profitability and Repayment			2. PROJECT NUMBER 931-1134	3. MISSION/AID/W OFFICE DS/AGR/EPP
4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) <span style="float:right">81-35 7/21/81</span>				
5. KEY PROJECT IMPLEMENTATION DATES A. First PRO-AG or Equivalent FY <u>77</u> B. Final Obligation Expected FY <u>78</u> C. Final Input Delivery FY <u>81</u>				
6. ESTIMATED PROJECT FUNDING A. Total \$ <u>790</u> B. U.S. \$ <u>790</u>		7. PERIOD COVERED BY EVALUATION From (month/yr.) <u>9/30/79</u> To (month/yr.) <u>9/30/80</u> Date of Evaluation Review <u>9/11/80</u>		

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. Submission of final two documents from O.S.U. ("Group Loans" and "Managing Small Farmer Credit Programs")	Dr. Badger (O.S.U.)	1 October 80
2. Contractor Performance Evaluation Report on O.S.U.	R. Hanson DSB/AGR/EPP	February 1981
3. Project site visit to hold discussions concerning progress of project implementation with the principal investigator from C.S.U. (Tom Dickey), Agricultural Bank personnel, and USAID.	R. Hanson DSB/AGR/EPP R. Tinnermeier C.S.U. K. Nobe C.S.U.	June 1981

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS <input type="checkbox"/> Project Paper <input type="checkbox"/> Implementation Plan e.g., CPI Network <input type="checkbox"/> Other (Specify) _____ <input type="checkbox"/> Financial Plan <input type="checkbox"/> PIO/T <input type="checkbox"/> Logical Framework <input type="checkbox"/> PIO/C <input type="checkbox"/> Other (Specify) _____ <input type="checkbox"/> Project Agreement <input type="checkbox"/> PIO/P	10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT A. <input checked="" type="checkbox"/> Continue Project Without Change B. <input type="checkbox"/> Change Project Design and/or <input type="checkbox"/> Change Implementation Plan C. <input type="checkbox"/> Discontinue Project
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11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles) DS/AGR/EPP: RHanson, Project Manager <i>R.R.H.</i> Clearances: DS/AGR/EPP: RLEhrich <i>RLE 5/18/81</i> DS/AGR/EPP: TO'Hare <i>T.H.</i> DS/AGR: Fiester <i>Donald R. Fiester</i> DS/PO: ASilver <i>AS</i> DS/AGR: MZozynski <i>MZM 5/22/81</i> DMcDermott <i>DM</i>	12. Mission/AID/W Office Director Approval Signature <i>Donald R. Fiester</i> Typed Name <i>Donald R. Fiester DS/AGR</i> Date <i>7/31/81</i>
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The "Small Farmer Credit: Profitability and Repayment" project was originally structured so that the two project components, represented by project numbers 1134.01 and 1134.02, would run concurrently for a three year LOP beginning in September 1977. These two components have become out of phase due to extenuating circumstances beyond the control of the cooperating institutions or the project managers as discussed under section 13. As a result the component being implemented by Colorado State University, 1134.02, was extended for one additional year at no additional cost through a specific amendment to Cooperative Agreement AID/ta-CA-3. Therefore this PES represents a final evaluation for Oklahoma State University and an annual evaluation for Colorado State University.

Project No: 931-1134 Small Farmer Credit: Profitability and Repayment  
Sub agreements .01 Oklahoma State University  
.02 Colorado State University

CoAG No: AID/ta-CA-1; BMA-2 Oklahoma State University  
AID/ta-CA-3; BMA-6 Colorado State University

13. Summary

A. Overview

This Project was approved and Cooperative Agreements drawn between AID/DSB/AGR/ESP and Oklahoma State University and Colorado State University in September 1977. At that time, certain steps had previously been taken by the AID project design team in locating the project sites and cooperating host country institutions. After traveling to the Philippines, at the request of USAID/P, discussions were held with the Farm Systems Development Corporation [FSDC]. The design team (which included the proposed university project coordinator) reached a tentative agreement to locate one component of the total research effort in the Philippines. Similarly, the design team (which included the proposed second university project coordinator) traveled to Honduras, at the request of USAID/H, and held discussions with the Banco Nacional de Formento at which time full agreement was reached regarding location of the second research component in Honduras. However, after the project funds were obligated to the two cooperating U.S. universities and initial preparation was well underway the USAID/P informed AID/W of a change in attitude of the FSDC regarding cooperation with the project. Although not elsewhere documented in the project files, the unofficial reason for this change in attitude came about when the FSDC came to understand that Dr. Ronald Tinnermeier of Colorado State University (CSU) would be overall project coordinator and not in-country principal investigator. After learning of this, FSDC suddenly lost interest in this project. They were convinced that anyone other than Dr. Tinnermeier would be "second rate", which they were not interested in. Hence, the FSDC definitively rejected the project. Therefore, in the Spring of 1978, CSU had to drop the plans made and search for another possible project site.

Through Dr. Tinnermeier's professional affiliation with the international finance/development community, CSU was contacted through the USAID/Nicaragua by officials of INVIERNO, a development finance institution in Nicaragua. After traveling to Nicaragua, agreement was reached by USAID/N, AID/W, and CSU to locate the research project within INVIERNO. Again, CSU proceeded to make substantive technical, logistical and personnel arrangements. Unfortunately, during this period Nicaragua was experiencing civil unrest associated with a change of government. In November of 1978 the USAID/N informed AID/W to delay planning pending the outcome of the coup d'etat. At this point, a full project management committee meeting was held (concurrent with a regularly scheduled annual review) in Stillwater, Oklahoma. In attendance were representatives of DSB/AGR/ESP, SER/CM/COD, CSU, OSU, INVIERNO. The decision was made to continue making administrative arrangements to make the move to Nicaragua. If by January 15, 1979 no reduction in the political instability was evident the project would cancel plans to locate in Nicaragua. On January 15, 1979 it was fairly obvious that the Somoza regime in

Nicaragua was facing an even more serious challenge. Security could not be guaranteed for the project team and the decision was made by the AID project manager to cancel out.

In early November of 1978, the USAID/Dominican Republic learned of the project and problems of initiating work in Nicaragua. The RDO, Eric Shearer, made a call to the AID Project Manager in Washington requesting that the principals involved visit the USAID in Santo Domingo for the purpose of possibly locating the research in the Agricultural Bank of the Dominican Republic. Due to the high level of uncertainty regarding successful implementation within Nicaragua, Dr. Tinnermeier and Karen Wiese travelled to the Dominican Republic (DR) in late December, 1978 to initiate discussions with the USAID and the host institution. Tentative agreement was reached among all parties to locate in the DR if Nicaragua became impossible. Contingency planning was begun by CSU. In late Spring, 1979 Dr. Tinnermeier finalized a Memorandum of Understanding between CSU and the Ag Bank. A plan of work was drawn and a principal investigator was hired. In July, 1979 the principal investigator arrived in the Dominican Republic, accompanied by a research assistant.

Meanwhile, all necessary planning was completed and a Principal Investigator from Oklahoma State University (OSU) arrived in Honduras, to be joined later by a research assistant, in July, 1978. Thereafter, work progressed reasonably well on the Honduran component with only minor problems associated with logistical support for the in-country research team.

## B. Technical Accomplishments

### 1. Honduras

The research activities of the Oklahoma State University project team were designed in support of the following project objectives:

- 1) to improve the farm management information base;
- 2) to improve small farm loan policies of the BNF; and
- 3) to improve the administration of the small farm loan portfolio of the BNF.

Project activities were organized as follows:

### I. Data Gathering and Processing

- A. Loan Files
- B. Farm Records
- C. Enterprise Budgets
- D. Prices

### II. Loan Administration

- A. Loan evaluation policies/procedures
- B. Client Classification
- C. Development of Field Offices Manual
- D. Experiment with Group Loans

### III. Training Programs

- A) Farm Financial Analysis
- B) Investment Analysis
- C) Farm Records

The objectives in support of the project activities were stated as:

- 1) Improvement of Farm Management - through the generation of specific enterprise budgets, implementation of a farm records keeping system and by performing whole farm analysis.
- 2) Improve BNF credit administration - through revision of loan processing procedures, revision of loan evaluation criteria, reduction of default rates and administrative costs experienced by the BNF.
- 3) Improve BNF institutional capacity to usefully implement and maintain reforms suggested as a result of the applied research efforts - through training of BNF employees.

At project conclusion (9/30/80) there had been no realization of reduced default rates/or administrative costs. Further, whole farm analysis had not been performed.

The reader is referred to section 22 for special comments regarding significant problems encountered and lessons learned during implementation of this project component.

#### 2. Dominican Republic

The activities being done by Colorado State University in the Dominican Republic are directed toward the overall objective of developing methodologies which credit institutions in LDCs can use to carry out analysis which can improve credit policies and programs, and impact upon the repayment problem. The project includes three major activities as follows:

- (1) The development of budget analysis and cost-effective data collection methodologies;
- (2) The analysis of collected data and utilization of the results by the cooperating host-country institution; and
- (3) The dissemination of the developed methodologies and their results within the host country and other developing countries.

The specific in-country work has centered around four major tasks: enterprise budgets; farm record keeping; training of Bank personnel; and the institutionalization of the analytical capabilities. All four activities have been underway since August, 1979.

#### 14. Evaluation Methodology

The purpose of the evaluation was to measure the progress of the project and if appropriate to recommend adjustments to improve implementation. Of particular importance was the objective of evaluating

Oklahoma State University's accomplishments since their portion of the project has been completed. The evaluation of the component being done by Colorado State University was simply a measurement of their progress to date since their portion of the project has one more year of existence. This evaluation reviewed the obligations and accomplishments of OSU. AID's project manager is satisfied that OSU has fulfilled their obligations as agreed to in the cooperative agreement. The participators in this Annual Review included: Ralph Conley, AID/Honduras; Karen Wiese and Ralph Hanson, AID/AGR/EPP; Ken Nobe, Ron Tinnermeier, and Tom Dickey, Colorado State University; and Dan Badger, Loren Parks, Harry Mapp, Jim Osborn, Odell Walker, Dean Schreiner, Joe Williams, Frank Baker, Hugh Rouk, Bill Abbott, and Charles Browning, Oklahoma State University. Kurt Rockman, former research assistant in Honduras, also participated.

#### 15. External Factors

Several major external factors had significant impact on the timing and effectiveness of implementation of this project. The first external factor which served as a constraint was the problem Colorado State University had in locating a usable setting and cooperating host institution. Initially CSU was going to do their portion of the project in the Philippines but administrative problems arose forcing a new setting to be selected. (See Summary page 1). The project was ready to go in Nicaragua but the revolution there forced CSU to make another selection. Finally the CSU component of the SFC project got underway in the Dominican Republic in July, 1979. These constraints resulted in a delay in project implementation of two-thirds of the original project life for the CSU component of the project. As a result of this delay, the AID/ta-CA-3 cooperative agreement of BMA-6 with Colorado State University was extended for twelve months from September 30, 1980 to September 30, 1981 with no additional funding as evidenced by the Action Memorandum dated 6/19/79 and the signed PAF dated 7/5/79.

Another external factor involved in the CSU/Dominican Republic portion of the SFC project is the political situation of the Agricultural Bank. Currently the administration of the Agricultural Bank is very political in content, that is, it is a tool of President Guzman. As a result it appears no real changes will occur in credit administration procedures until the Agricultural Bank is depoliticized. This may be changing since the appointment of a new Bank Administrator, Mario Caceres,, early this year but at this point it is still too early to tell how his appointment will affect the proceedings of the Bank.

A third external factor involved in the SFC project was the reorganization of the Agricultural Development Bank in Honduras in May, 1980. This sudden and severe reorganization by the Honduran government resulted in a massive change over in personnel at the Bank. Most of the Bank's management counterparts to the SFC project were purged. Many of the field workers survived the purge but the result was that the functioning part of the Bank's management involved in this project was gone.

Coopers and Lybrand, through a mission funded project, made specific recommendations to the Honduran government on how to handle the reorganization. Coopers and Lybrand recommended keeping the credit component in the Bank but the Honduran decision-makers ignored those recommendations and as a result many of the O.S.U. trained personnel in the Bank were no longer in a position of authority to institutionalize the credit work. The ultimate result of the reorganization of the Bank on the SFC project was that the research component was still accomplished but the longer lasting, institutional affects were basically thwarted.

#### 16. Inputs

All inputs listed in the logical framework are accounted for and complete. Given this to be true, there are still some specific points which need to be made.

(1) Given the fact that this is a research project and the methodologies being developed were dependent upon cropping cycles, and furthermore given natural problems inheritant in introducing the new procedures into the management system of a large, complex institution (operating in a heavily political environment) it is determined that the time frame allowed for completion of the project was insufficient.

(2) In retrospect, it is also judged that the budgeting of in-country project support functions was done too tightly so that there wasn't enough money to fulfill the dissemination requirements to AID users. Therefore, additional monies from an independent source will need to be budgeted for this purpose.

#### 17. Outputs

The outputs listed in the logical framework are as follows:

- (1) Methodology for Budget Analysis;
- (2) Development of cost-effective methods of collecting data;
- (3) Increased knowledge of factors affecting small farmers' ability and willingness to repay credit; and
- (4) Analysis of impact of potential changes in credit program design and improved policies related to small farmer credit.

Outputs one and two have been completed and progress is being made on the other two outputs through the combined efforts of the Honduran and Dominican Republic experiences. Although this is true, an important point needs to be made here. The specific workplan for the work in Honduras changed focus somewhat from the outputs listed in the logical framework. The objectives stated in the workplan were threefold:

- (1) to improve farm management;
- (2) to train BNF employees and other technicians; and
- (3) to improve BNF credit administration.

All three of these objectives have been fulfilled. As is evident, there was a poor transition from the project paper to the project workplan. The objectives achieved have been consistent with the workplan but somewhat off-center from the project paper's outputs. The interpretation of the project paper's outputs were much different than those stated in the plan of work. Therefore, the point of focus was never really on the outputs of the project paper but instead aimed at those objectives in the workplan.

18. Purpose

The purpose of this project is "to develop methodologies which AID Missions and LDC's can use to carry out budget analysis and cost-effective data collection for small farmer credit programs."

The discussion above indicates that in reality this purpose has already been achieved through the work done in Honduras. A further elaboration on the methodology is being done as a result of the work being done in the Dominican Republic.

19. Goal

The stated goal is "to increase small farmers' incomes through improved design of rural credit policies." It is felt that progress is being made toward that goal, as indicated by the discussion above, even though specific figures are not available to substantiate this belief.

20. Beneficiaries

The ultimate beneficiaries of the project will be small farmers of developing countries who will have easier access to credit as a result of improved methodologies of dispersing the credit. The direct beneficiaries are the small farmers in Honduras and the Dominican Republic and the corresponding personnel within the appropriate institutions involved, ie. the Agricultural Banks in each country. This project will also increase the knowledge base on data collection and farm record keeping in LDCs and thus benefit all professionals involved in small farmer credit.

21. Unplanned Effect

Not pertinent at this time.

22. Lessons Learned

- A. There needs to be a thorough job of pre-project preparation on the part of the design team. This project demonstrated a lack of adequate pre-project preparation on the part of the AID/W design team which resulted in several problems. The lack of a project location for the Colorado State University portion of the project caused significant delay and subsequently jeopardized the research expectations of this project. This needs to be analyzed in terms of the loss of real purchasing power due to

the loss of time. One needs to look at the projected expenditures vs. actual expenditures for 1977-8 and 1978-9 and then take the difference to figure the loss of purchasing power due to unexpected increases in inflation. This will illustrate how much money was "lost" during the time when no substantive work was being performed by CSU. Also, the agreement drawn between AID and CSU and CSU's internal budgeting and accounting computerized procedures continued to allow for administrative costs to be paid at a rate not commensurate with the actual level of effort of the institution from September 30, 1977 to July 1979. These are direct costs borne by all parties, which are not related to any progress toward the objectives.

- B. Problems arising from USAID not having or adhering to printed mission policy regarding logistical support for contractors - Verbal agreements should not be made by USAID staff due to the rapid turn-over of AID personnel. One person's handshake is meaningless once this person is gone.
- C. Problems arising from the USAID induced pressure on contractors to "cooperate" with various individuals and other contract groups working in related subject matter areas. The "contractors" under this project were suggesting that the USAID should fill this role via their own relationships with their own contract groups. If for professional reasons contractors need to cooperate, they should be left to identify the needs, areas, and extent of such a cooperation. This cooperation should be determined by the objectives of the work being performed.
- D. Problems arising from inadequate attention being paid to the actual requirements of "research" projects by AID during the design stage. The contractors [collaborating U.S. universities] would like:
  - more flexibility with the time period (beyond the usual three years) to specifically allow for unanticipated delays in implementation and adequate lead time;
  - to be more involved in the identification of the host country and host institution; and
  - more line item flexibility of the budget for research projects which have a fixed maximum.
- E. Inadequate attention is paid to the Agency Planning Documents (CDSS) during project design. In this regard, it may be possible for DSB to fund pilot studies which will lead into USAID funded activities in which the work initiated under the pilot study is not significantly disrupted while AID gets its funding expenditure, or lost altogether because of no AID funding to expand the pilot work, if successful.

- F. The collaborative - cooperative mode of "contracting" should consider explicitly in the budget development the need to build in specific line item funding to allow for inter-institutional "cooperation" such as seminars, etc.
- G. Confinement of the scope of activities under an applied research project is considered problematic for the project's principal investigator. Expansion, or request/pressure for expansion, of activities to be undertaken by the project team is a natural condition (and should be expected and planned for) if working in LDCs given the obvious breadth of problems facing the institution. The principal investigator is then faced with the inherent constraints on time available to perform the work necessary to accomplish project objectives while trying to be responsive to real problems facing the host institution which lie outside of the project design.
- H. The experience of the project principals suggests that in applied research projects one should confine project activities to a small geographic area at first. This allows the project team to work out the "bugs" of their approach on a small scale before expanding to a regional or national scope.

23. Attachments:

- A. Contractor Performance Evaluation Report, page 9.
- B. Logical framework, page 10.

Report Control Symbol U-1423/1		INSTRUCTIONS:	
CONTRACTOR PERFORMANCE EVALUATION REPORT		SEE REVERSE OF COPY 4	
PERIOD COVERED		TYPE OF REPORT	
FROM: 10/1/77	TO: 9/30/80	<input type="checkbox"/> INITIAL	<input type="checkbox"/> ANNUAL <input checked="" type="checkbox"/> FINAL

## A. GENERAL INFORMATION

1. NAME OF CONTRACTOR	2. CONTRACT NO/TASK ORDER NO.	3. CONTRACT DURATION	4. CONTRACT AMT. (CUM.)
Oklahoma State University (OSU)		3 Yrs	\$331,750
5. PROJECT TITLE		6. PROJECT NO.	7. COUNTRY
Small Farmer Credit: Profitability and Repayment		931-1134	Honduras

## B. CONTRACTOR PERFORMANCE RATING

1. EVALUATION FACTORS	CHECK IF SIGNIFICANT	PERFORMANCE AGAINST PLAN (V)						
		NA	NEG.	AS PLANNED	SUPERIOR			
a. Understanding project purpose .....				X				
b. Planning to achieve purpose .....				X				
c. Staff of proper size .....					X			
d. Timely arrival of personnel .....				X	X			
e. Technical qualifications of personnel .....				X				
f. Responsiveness to A.I.D. Directions .....				X				
g. Adherence to scope of work .....	X*							
h. Adherence to work schedule .....					X			
i. Contractor's home office support .....				X				
j. Relations with cooperating country nationals .....					X			
k. Local staff training and utilization .....					X			
l. Effective administration of participants .....				X				
m. Management of commodities .....				X				
n. Timely submission of required reports .....				X				
o. Candor and usefulness of required reports .....					X			
p. Other (specify) _____								
2. OVERALL EVALUATION		UNSATISFACTORY		SATISFACTORY			OUTSTANDING	
		1	2	3	4	5	6	7
					X			

(v) Check one →

3. If any factor is rated "negative" or if overall rating is unsatisfactory, describe underlying circumstances. Use additional sheets, if necessary.

\*Adherence to SOW - Project Principal Investigator attempted to follow the Scope of Work; however, decisions were made by him as to the relevance or feasibility of certain elements which helped to successfully achieve the goals as perceived by the contractor.

## C. SIGNATURES

1. PROJECT MANAGER		2. CONTRACTING OFFICER	
TYPED NAME		TYPED NAME	
Ralph R Hanson			
SIGNATURE		SIGNATURE	
<i>Ralph R. Hanson</i>			
MISSION/OFFICE SYMBOL	DATE	MISSION/OFFICE SYMBOL	DATE REVIEWED
AID/W, DS/AGR/EPP	I/14/81		

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

ANNEX D

Life of Project:  
From FY 77 to FY 79  
Total U.S. Funding \$750,000  
Date Prepared: 4/30/77

Project Title & Number: SMALL FARMER CREDIT: PROFIT AND REPAY

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes: To increase small farmers' incomes through improved design of rural credit policies.</p>	<p>Measures of Goal Achievement: Effective Credit Programs reach target beneficiaries. Small farmer repayment increases.</p>	<p>Periodic institutional evaluation and cost-effective data collection system.</p>	<p>Assumptions for achieving goal targets: 1. Farm credit can be used to assist small farmers to adopt technologies which are sufficiently profitable to allow them to repay their loans and still realize a net economic gain. 2. Profitability is a major factor in repayment of credit.</p>
<p>Project Purpose: To develop methodologies which AID missions and LDC's can use to carry out budget analysis and cost-effective data collection for small farmer credit programs.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status. Use of methodologies developed in assessing small farmer profitability and repayment.</p>	<p>Periodic review of LDC credit institution's analytical system.</p>	<p>Assumptions for achieving purpose: The factors associated with the profitable (unprofitable) use and repayment (non-repayment) of credit can be determined. The methodologies to provide a framework for analyzing these factors can be developed.</p>
<p>Outputs: A) Methodology for Budget Analysis. B) Development of cost-effective methods of collecting data C) Increased knowledge of factors affecting small farmers' ability and willingness to repay credit. D) Analysis of impact of potential changes in credit program design and improved policies related to small farmer credit.</p>	<p>Magnitude of Outputs: Methodologies developed will be applied to two country specific locations.</p>	<p>Periodic project progress reports</p>	<p>Assumptions for achieving outputs: Two appropriate countries will collaborate in project participation. Qualified personnel will be available.</p>
<p>Inputs: (\$000) 1. Personnel 390 2. Data Collection and Analysis 220 3. Research Support 140 <u>\$750</u></p>	<p>Implementation Target (Type and Quantity): The project will be carried out by one or two land grant universities in collaboration with institutions in at least two LDC's using a cooperative agreement to fund the required technical services and will require at least three years to complete.</p>	<p>Cooperative Agreements undertaken.</p>	<p>Assumptions for providing inputs: US and LDC institutions available and willing to participate.</p>